



Woodward's

Annual Report, 1975

For the fiscal year ended January 31, 1976



Highlights of the year

FOR THE YEAR ENDED JANUARY 31

	1976	1975	% increase (decrease)
Operating revenue	\$600,668,993	\$508,181,938	18.20
Net earnings	\$ 11,781,322	\$ 10,246,128	14.98
Earnings per share	\$ 1.80	\$ 1.57	14.65
Dividends paid	\$ 4,767,927	\$ 4,766,460	.03
Dividends per Class A share	\$.73	\$.73	—

AT JANUARY 31

Working capital	\$ 68,474,622	\$ 69,886,699	(2.02)
Shareholders' equity	\$102,480,907	\$ 95,459,512	7.36
Equity per share	\$15.69	\$14.62	7.32

Woodward's

WESTERN CANADA'S
FAVOURITE SHOPPING CENTRES

1892	DOWNTOWN STORE Vancouver, B.C.
1948	PORT ALBERNI STORE Vancouver Island, B.C.
1950	PARK ROYAL CENTRE West Vancouver, B.C.
1954	NEW WESTMINSTER STORE New Westminster, B.C.
1955	WESTMOUNT CENTRE Edmonton, Alberta
1959	OAKRIDGE CENTRE Vancouver, B.C.
1960	CHINOOK CENTRE Calgary, Alberta
1963	MAYFAIR CENTRE Victoria, B.C.
1964	KAMLOOPS STORE Kamloops, B.C.
1965	NORTHGATE CENTRE Edmonton, Alberta
1966	GUILDFORD CENTRE Surrey, B.C.
1966	PARKWOOD CENTRE Prince George, B.C.
1970	SOUTHGATE CENTRE Edmonton, Alberta
1971	MARKET MALL Calgary, Alberta
1973	FURNITURE FAIR Burnaby, B.C.
1974	EDMONTON CENTRE Edmonton, Alberta (Replacing 1926 Downtown Store)
1974	ARBUTUS VILLAGE SQUARE Vancouver, B.C.
1975	FURNITURE FAIR Edmonton, Alberta
1975	LETHBRIDGE CENTRE Lethbridge, Alberta



Woodward's

P.O. BOX 8600
VANCOUVER, B.C.
V6B 4G1

TORONTO GLOBE AND MAIL
140 KING STREET WEST
TORONTO 1 ONTARIO
ATTN MR I CARMAN FINANCIAL EDITOR

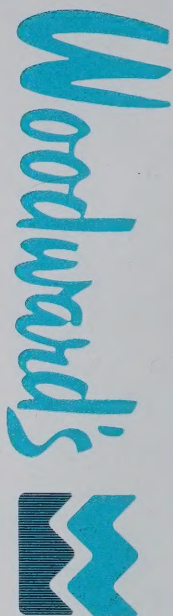


INTERIM REPORT FOR THE SIX MONTHS ENDED JULY 31, 1975

Woodward's

PRINTED IN CANADA

WOODWARD STORES LIMITED, VANCOUVER, B.C. V6B 4G1



TO THE SHAREHOLDERS

Net earnings for the six months ended July 31, 1975, amounted to \$2,610,354 or 40¢ per share compared to \$3,097,941 or 47¢ per share in the corresponding period in 1974, a decrease of 15.74%. Operating revenue during this period increased by 12.31% to \$251,519,110 from \$223,953,805.

While the first half operating results are down from last year, we are encouraged by the fact that net earnings for the second quarter this year showed an improvement over the same period in 1974. This resulted from the imposition of effective controls on operating expenses and inventory levels.

The decrease in Working Capital of \$13,756,086 for the six months ended July 31, 1975, is due principally to capital expenditures incurred in connection with the Company's expansion program. It is anticipated that additional long term financing will be required, but the details and timing of such financing have not been determined.

A half-yearly dividend of 28¢ per share has been declared payable on October 31, 1975 to shareholders of record October 10, 1975.

The Lethbridge Centre development, owned by the Company and situated on 11 acres in the central business district of Lethbridge, Alberta, opened successfully on August 27, 1975. The initial customer response was excellent and appears to confirm the Company's decision to enter this market area.

We are also pleased to report that the new leased Bargain Store located in the expanded facilities of the Mayfair Shopping Centre in Victoria, British Columbia, which opened on July 30, 1975, is doing very well.

Two new stores in British Columbia are scheduled to open in leased premises in October 1975. These are in the Severnoks Shopping Centre located near Abbotsford and the Cherry Lane Shopping Centre located at Penikese.

Plans were recently announced for a major shopping centre development, to be known as Lansdowne Park Shopping Centre, on 50 acres owned by the Company in Richmond, British Columbia. This development, scheduled to open in the fall of 1977, will include a department store, food store, bargain store and auto centre operated by the Company, a second department store operated by the T. Eaton Co. Limited, approximately 100 retail and service units, and a one-level enclosed climate-controlled mall serving these outlets. The total leasable area including that occupied by your Company will be approximately 617,500 square feet. The T. Eaton Co. Limited will lease its store and has an option to purchase a 20% equity interest in this development from the Company.

Results for the last half of this fiscal year will be influenced to a major extent by the economic conditions prevailing in the communities served by the Company.

C.N. Woodward

C.N. Woodward
Chairman of the Board and
Chief Executive Officer
Vancouver, B.C.
September 8, 1975

WOODWARD STORES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS For the Six Months Ended July 31, 1975 (with 1974 figures for comparison)

	1975	1974
Sales including service charges	\$249,593,526	\$222,141,797
Rental revenue and other income	1,925,584	1,812,008
Total operating revenue	251,519,110	223,953,805
Cost of merchandise sold and operating expenses	246,620,649	218,034,562
Operating earnings	4,898,461	5,919,243
Share of net earnings of corporate joint ventures	160,893	114,698
Net earnings before provision for income taxes	5,059,354	6,033,941
Provision for income taxes	2,449,000	2,936,000
Net earnings for the six months	\$ 2,610,354	\$ 3,097,941
Net earnings per share	.40¢	.47¢

For the six months ended July 31, 1974, the operations of certain subsidiary companies which are of a non-selling nature were not included in the interim consolidated statements of earnings and changes in financial position. This practice has been altered to include these operations and accordingly the 1974 figures have been restated to conform with the current presentation.

These statements have not been audited.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION For the Six Months Ended July 31, 1975 (with 1974 figures for comparison)

	1975	1974
Funds provided:		
Net earnings for the six months	\$ 2,610,354	\$ 3,097,941
Deduct share of net earnings of corporate joint ventures	160,893	114,698
Add items not requiring an outlay of funds:		
Depreciation	2,282,300	2,074,131
Deferred income taxes	107,000	114,000
Amortization of Debt expense	22,873	12,860
Total funds provided from operations	4,861,634	5,184,234
Funds applied:		
Additions to properties, fixtures and equipment	15,401,621	10,951,353
Reduction in long-term debt	279,000	2,524,741
Dividends	2,939,099	2,937,884
Total funds applied	18,619,720	16,413,978
Decrease in working capital for the six months	\$13,758,086	\$11,229,744

APPROVED BY THE BOARD:

C.N. Woodward, Director
M. Gandosi, Director



Woodward Stores Limited *and subsidiary companies*

DIRECTORS

CHARLES NAMBY WYNN WOODWARD*

ROSE BANCROFT

FREDERICK BLAKE BARKER

WILLIAM GEORGE BROWN*

THOMAS KENNETH CAMPBELL

CHARLES REGINALD CLARRIDGE*

THOMAS RAYMOND FARRELL***

MARCO GANDOSSI, C.A.*

WILLIAM DOUGLAS HAIG GARDINER

JAMES NORMAN HYLAND**

HAROLD LESLIE JOY

CYRIL LLOYD KEETCH*

GRANT WOODWARD MACLAREN, C.A.*

JOHN OXLEY MOXON*

LEWIS GEORGE PHIPPS

FRANK ALLAN ROBERTSON*

AIDAN ROBINSON

WALTER GORDON SKINNER, F.C.A.**

ROBERT ARTHUR WHITE**

*Member of Executive Committee

**Member of Audit Committee

***Alternate Member of Audit Committee

AUDITORS

DELOITTE, HASKINS & SELLS
Chartered Accountants, Vancouver, British Columbia

REGISTRAR

WOODWARD STORES LIMITED
Vancouver, British Columbia

OFFICERS

CHARLES NAMBY WYNN WOODWARD
Chairman of the Board and Chief Executive Officer

CHARLES REGINALD CLARRIDGE
President and Chief Operating Officer

GRANT WOODWARD MACLAREN, C.A.
Executive Vice President

MARCO GANDOSSI, C.A.
Senior Vice President, Finance and Secretary

FRANK ALLAN ROBERTSON
Senior Vice President, Merchandising

WILLIAM GEORGE BROWN
Vice President, Personnel and Services

CYRIL LLOYD KEETCH
Vice President, Food Operations

JOHN OXLEY MOXON
Vice President, Alberta Operations

DANIEL BENJAMIN KENNEDY
Assistant Secretary

TRANSFER AGENTS

WOODWARD STORES LIMITED
Vancouver, British Columbia

MONTREAL TRUST COMPANY
Toronto, Ontario; Montreal, Quebec; Edmonton, Alberta.

HEAD OFFICE

101 West Hastings Street, Vancouver, British Columbia

Directors' report to the Shareholders



It is a pleasure to present the Annual Report of Woodward Stores Limited and subsidiary companies for the year ended January 31, 1976.

Once again we are pleased to report that the Company's operating results showed an improvement over the previous year. Net earnings for the year amounted to \$11,781,322 compared to \$10,246,128 last year, an increase of 14.98%. On a per share basis, net earnings increased from \$1.57 to \$1.80. Operating revenue increased 18.20% to a record level of \$600,668,993 from \$508,181,938 for the 1975 fiscal year.

The year under review was one of substantial progress for the Company despite periods of economic uncertainty in the Province of British Columbia. Net earnings increased, principally, as a result of favourable economic conditions in Alberta and effective

controls on operating expenses and inventory levels at all locations.

A half-yearly dividend of 28¢ per share was paid on October 31, 1975. A further half-yearly dividend of 45¢ per share, the maximum amount payable under the Anti-Inflation legislation, has been declared payable on April 30, 1976. In total, dividends with respect to the past year's operations are 73¢ per share, which is equal to the amount paid with respect to the previous year.

The consolidated statement of changes in financial position which appears later in this report reflects that total funds applied in the amount of \$30,788,223 exceeded total funds provided of \$29,376,146. The resulting decrease in working capital of \$1,412,077 is due primarily to financing a portion of the additions to properties, fixtures and

equipment on an interim basis. Funds provided from operations amounted to \$16,800,886, an increase of 10.53% over the previous year. The increase in long term debt this year of \$12,154,000 represents the proceeds from long term financing arranged for the Lethbridge Centre development. Additions to properties, fixtures and equipment amounted to \$25,401,745, representing for the most part, capital expenditures on developments completed during the year.

This past year witnessed the completion and opening of six new projects. These were described in detail in last year's annual report and are summarized on the back cover page of this report.

Construction has commenced on a major development to be known as Lansdowne Shopping Centre, on fifty acres owned by the Company in

Richmond, British Columbia. This development, scheduled to open in the fall of 1977, will include a Woodward's department store, food store, bargain store, and auto centre, a second department store to be leased by the T. Eaton Co. Limited and approximately 130 leased commercial retail units. The total cost of this development, including land, is estimated at \$37,300,000. The T. Eaton Co. Limited, in addition to leasing the second department store in this centre has an option to purchase a 20% equity interest in this development from the Company. Long term financing for the Lansdowne development has yet to be arranged, however, satisfactory interim financing arrangements have been concluded.

For the purpose of financing the Lethbridge Centre development, proceeds in the amount of \$12,154,000 were received during the year from the issue by Lethbridge Centre Limited of a first mortgage bond carrying a term of thirty years and a rate of 9 $\frac{3}{4}$ %. Additional proceeds of \$596,000 can be obtained upon achievement of projected rental levels. Additional long term financing for general corporate purposes is anticipated during 1976.

Mr. T. K. Campbell, Executive Vice President of the Company, retired on January 29, 1976 after 45 years of service. Because of his wisdom and strong leadership qualities he added much to the growth and success of the Company, particularly in the Province of Alberta, where he most ably guided the Company's operations for 26 years. We shall, however, retain the benefit of his knowledge and counsel, as he will remain as a Director.

In January, 1976, Mr. L. G. Hull, a Director and Divisional Meat Manager, retired after 48 years of service. We extend to him our appreciation for his excellent contribution to the Company and best wishes for good health during retirement.

We are pleased to welcome Mr. W. D. H. Gardiner, who was elected to the Board during the year. Mr. Gardiner is the Deputy Chairman and Executive Vice President of The Royal Bank of Canada.

The Federal Government introduced the Anti-Inflation program on October 14, 1975. Our Company is, of course, one of those affected by the program in the areas of compensation to employees and restraints on prices, profits and payment of dividends. Our Company's approach to this new set of rules within which we must now operate is to support the stated intent of controlling inflation in Canada. While there are a number of uncertainties concerning this program the Company believes that it has conformed with the program in all respects for the fiscal year 1976. The precise effects which the anti-inflation regulations will have on the Company's future operations are difficult to predict with any degree of certainty at this time.

We expect a modest rate of recovery, with an increase in real G.N.P. of approximately 5%, in the economy of Canada during 1976. This should reflect favourably on the operations of your Company for the next fiscal year.

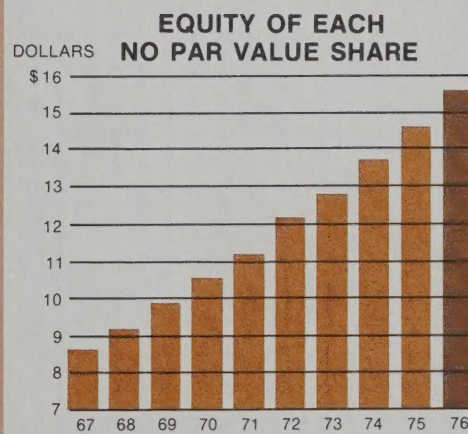
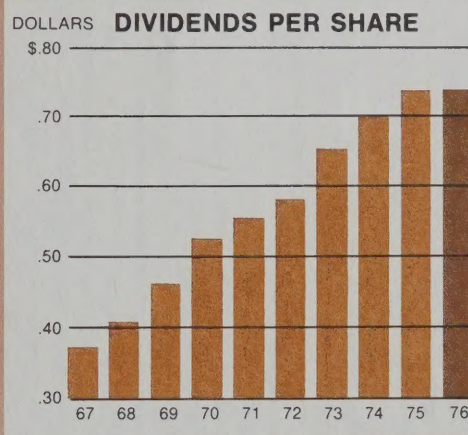
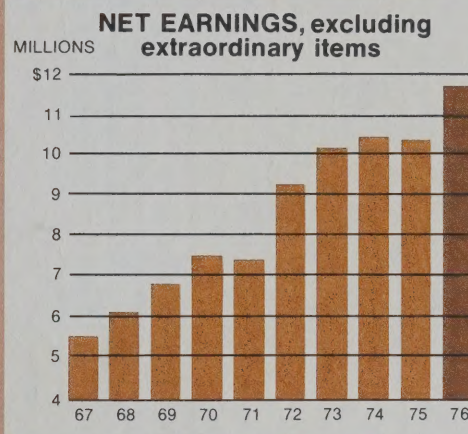
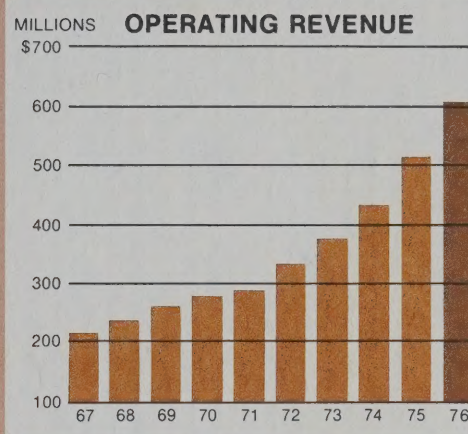
We cannot over-emphasize the important contribution made by our staff to the success of the Company's operations. The achievements of this past year were made possible by the enthusiastic and conscientious efforts of the many competent men and women who represent Woodwards. We extend appreciation to each and every one of them for an outstanding performance. We also extend thanks to our shareholders and customers whose confidence and goodwill contribute so greatly to the Company's success.

Respectfully submitted,

Woodward.

*Chairman of the Board and
Chief Executive Officer.*

April 8, 1976.





Woodward's- doing our shopping

Since the beginning, Woodward's has sought to bring its customers the finest quality and newest trends at the most reasonable prices. Over forty years ago, we began regular canvassing of Canadian manufacturers for merchandise and we now purchase over 85% of our goods domestically.

With the opening of the London office in 1946, we began expanding a network of buying agencies that now covers every continent on the globe.

Buying agents in thirty-two different countries still operate on the same verbal agreements and trust established twenty years ago, when the late Hon. W. C. Woodward made ours one of the first Canadian department stores to deal with the new markets of Japan and India.

In 1975, thirty-eight skilled buyers from British Columbia and twenty-seven from Alberta travelled overseas on forty-two different occasions. They assessed changing markets, viewed fresh trends in fashion and judged quality in a wide range of merchandise from fabrics, drugs, chinaware and sporting goods to men's and ladies' fashions. Expanding housebrands like "Woodcrest", "Woodward's", and "Transonic" have enabled

manufacturers to produce their best quality items to our own exacting specifications.

Our buyers have all developed their expertise by working at the many stages of sales and merchandising in Woodward's stores. This educates them to the understanding of local markets and maintains their sensitivity to the changing needs of a growing merchandising chain.

A keynote of Woodward's success has been a willingness to innovate. When Woodward's began its first self-serve food operation in 1919, it was to combat an inflationary spiral during that period. Its success led to the world's largest food operation under one roof at that time. Today, these food operations still complement Woodward's total image for accommodating all customer needs. They also represented a unique share of overall sales in 1975.

But Woodward's innovative approach to merchandising extends even further. The most graphic illustration is our London, England operation. The high cost of space in the metropolitan centre of London, prompted Woodward's to be the first to establish a "floating office." "Londwood", a renovated Thames barge with a twenty-one-foot beam and overall length of ninety eight feet is moored near the Houses of Parliament on the Thames River.

We maintain one of the largest trucking operations of its kind in British Columbia and Alberta. During any given day, truck fleet vehicles are in service, transferring merchandise from a distribution centre to one of nineteen Western Canada stores or delivering items to customers.

To that end, we maintain our own warehousing network. Vancouver's major warehouse and delivery centre now occupies over 323,000 square feet. Through a computerized order-selecting system, food merchandise is shipped to twelve British Columbia stores from the new 174,000 square foot Richmond warehouse. From its 313,000 square feet of floor space, the Strathcona Distribution Centre services four Edmonton outlets and the new Lethbridge store.

Calgary, Alberta, has a smaller warehouse to service the two outlets in that city.

Only the most modern handling methods are employed in the movement of stock to safe storage as it arrives from across Canada and around the world.

Quality from supplier to customer in varied merchandise from across Canada and around the world is one reason for Woodward's success, and our skilled merchandising staff ensures continuation of that high standard.



Woodward's— personally speaking

In 1975, Woodward's employed approximately 6,000 persons full-time with the addition of some 10,600 employees during peak sales periods. That's more than 16,000 people, without whose effort and participation our organization would not work. We value their contribution — always have. That's why as far back as 1926, when employee relations were unheard of, we instituted the Woodward's Sick Benefit Society. It was originally designed to compensate employees for time lost due to illness but, in the late 1950's, was restructured to include comprehensive medical benefits. We recently introduced a dental scheme, two-thirds of the cost of which is borne by the company.

Employees' families enjoy the protection of a group life and accidental death plan. It was introduced in 1923, and the benefits have been continuously and competitively adjusted ever since.

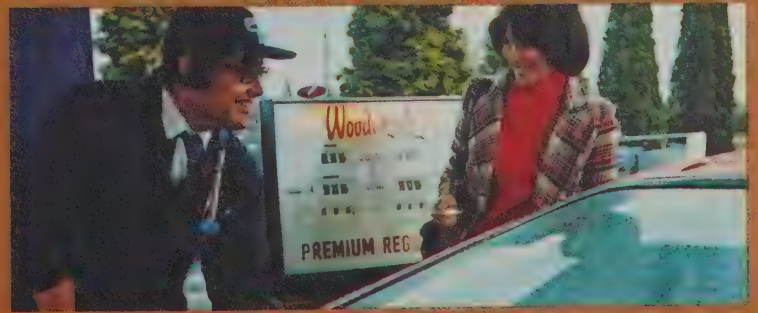
In 1953, in a move quite unique at the time, Woodward's instituted a Profit Sharing Plan. Full time staff members start participating after one year's employment, and as their length of service grows along with the Company's sales and profits, so does their equity in the Profit Sharing Plan.

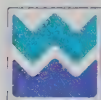
We believe in rewarding staff loyalty and initiative, because every individual plays a key role in providing customer satisfaction. For twenty years, we have recognized employees of long service at annual Woodwynn Club Dinners in Vancouver and Edmonton. And every year, academic excellence by employees' children in B.C. and Alberta is noted with the Hon. W. C. Woodward Memorial Scholarship awards.

We encourage our employees to take an active role in formulating Company policy which is why, as early as 1942, we instituted the first Woodward's Staff Advisory Council. Now, each location elects its representatives, who in turn establish an executive. Regular meetings, the exchange of views and communications at the local level are thus assured. A member of the Council has traditionally been invited to sit on the Board of Directors as an employee representative. In this way, each employee feels a part of the Company's direction and destiny.

Pension plan, profit sharing, service awards and other programs also assist in making our day-to-day operation more meaningful, more enjoyable, and more productive.







Woodward Stores Limited and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

YEAR ENDED JANUARY 31

OPERATING REVENUE:

	1976	1975
Sales including service charges	\$596,058,036	\$504,491,394
Rental revenue and other income	4,610,957	3,690,544
Total operating revenue	<u>600,668,993</u>	<u>508,181,938</u>

COSTS AND EXPENSES:

Cost of merchandise sold and all other expenses except those listed hereunder	440,064,601	369,418,741
Selling, general and administrative	120,408,625	102,289,899
Profit sharing and retirement funds	5,545,359	5,083,836
Depreciation	5,215,345	4,511,892
Interest on long term debt	5,171,384	4,153,786
Other interest	1,396,828	1,701,754
Total costs and expenses	<u>577,802,142</u>	<u>487,159,908</u>

OPERATING EARNINGS

Share of net earnings of corporate joint ventures	22,866,851	21,022,030
	<u>328,471</u>	<u>184,098</u>

EARNINGS BEFORE INCOME TAXES

Provision for income taxes	23,195,322	21,206,128
	<u>11,414,000</u>	<u>10,960,000</u>

NET EARNINGS FOR THE YEAR

	<u>\$ 11,781,322</u>	<u>\$ 10,246,128</u>
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EARNINGS PER SHARE (Note 6)

	<u>\$1.80</u>	<u>\$1.57</u>
Fully diluted earnings per share (Note 6)	<u>\$1.73</u>	<u>\$1.51</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED JANUARY 31

RETAINED EARNINGS AT BEGINNING OF THE YEAR

Net earnings for the year	\$72,303,185	\$66,823,517
	<u>11,781,322</u>	<u>10,246,128</u>
	84,084,507	77,069,645

DEDUCT:

Dividends (Note 3(b))	4,767,927	4,766,460
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RETAINED EARNINGS AT END OF THE YEAR

	<u>\$79,316,580</u>	<u>\$72,303,185</u>
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The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**YEAR ENDED JANUARY 31**

	1976	1975
FUNDS PROVIDED:		
From operations:		
Net earnings for the year	\$11,781,322	\$10,246,128
Add (Deduct):		
Dividends from a corporate joint venture	300,000	240,000
Depreciation	5,215,345	4,511,892
Deferred income taxes	(178,500)	183,000
Other	(317,281)	19,844
Total funds provided from operations	16,800,886	15,200,864
Proceeds from disposal of properties, fixtures and equipment	421,260	374,163
Increase in long term debt	12,154,000	20,000,000
Total funds provided	29,376,146	35,575,027
FUNDS APPLIED:		
Additions to properties, fixtures and equipment	25,401,745	23,270,296
Reduction in long term debt	411,000	8,913,224
Cash dividends (Note 3(b))	4,767,927	4,766,460
Increase in debt expense	207,551	420,528
Total funds applied	30,788,223	37,370,508
DECREASE IN WORKING CAPITAL FOR THE YEAR	1,412,077	1,795,481
WORKING CAPITAL AT BEGINNING OF THE YEAR	69,886,699	71,682,180
WORKING CAPITAL AT END OF THE YEAR	\$68,474,622	\$69,886,699

The accompanying notes are an integral part of the financial statements.

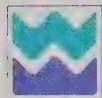
AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Woodward Stores Limited and its subsidiaries as at January 31, 1976 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia.
April 8, 1976

DELOITTE, HASKINS & SELLS
Chartered Accountants



Woodward Stores Limited (Under the Companies Act, British Columbia) and subsidiary companies

ASSETS

CURRENT ASSETS:

	1976	1975
Cash	\$ 4,790,656	\$ 4,887,525
Marketable securities at cost (market value 1976—\$5,301,283; 1975—\$5,202,513)	1,412,543	1,412,543
Accounts receivable	46,832,661	38,218,644
Merchandise valued at the lower of cost and net realizable value	90,849,752	74,522,230
Prepaid expenses	3,129,293	1,541,899
Total current assets	147,014,905	120,582,841

INVESTMENTS IN CORPORATE JOINT VENTURES (Note 1(a))	1,167,883	1,139,412
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PROPERTIES, FIXTURES AND EQUIPMENT (Notes 1(d) and 5(e)):

Land	21,315,768	20,826,654
Buildings and improvements	71,559,880	59,373,520
Fixtures and equipment	53,843,493	41,998,823
Total cost	146,719,141	122,198,997
Less accumulated depreciation	44,392,896	39,673,260
Net properties, fixtures and equipment	102,326,245	82,525,737

DEBT EXPENSE AT COST LESS AMORTIZATION	998,657	837,664
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APPROVED BY THE BOARD:

C. N. Woodward, *Director*
M. Gandossi, *Director*

TOTAL	\$251,507,690	\$205,085,654
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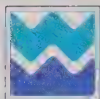
CONSOLIDATED BALANCE SHEET AS AT JANUARY 31, 1976

(with 1975 figures for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1976	1975
CURRENT LIABILITIES:		
Bank indebtedness.....	\$ 31,804,196	\$ 11,023,982
Accounts payable and accrued liabilities	44,149,847	34,743,893
Income taxes.....	981,240	528,199
Current portion of long term debt	147,000	3,530,068
Notes payable to a corporate joint venture	1,458,000	870,000
Total current liabilities	78,540,283	50,696,142
LONG TERM DEBT (Note 2)	68,976,000	57,241,000
DEFERRED INCOME TAXES	1,510,500	1,689,000
SHAREHOLDERS' EQUITY (Note 3):		
Share capital:		
Authorized:		
600,000 4½% non-cumulative preference shares, par value \$5 each, redeemable at par		
8,503,300 Class A shares, no par value		
1,796,700 Class B shares, no par value		
Issued and fully paid:		
4,769,030 Class A shares (1975—4,766,630).....	12,694,325	12,681,325
1,762,500 Class B shares (1975—1,764,500).....	4,406,250	4,411,250
6,531,530 Total share capital.....	17,100,575	17,092,575
Contributed surplus (no transactions during the year).....	4,595,953	4,595,953
Unrealized gains on sales of certain fixed assets to corporate joint ventures (no transactions during the year).....	1,467,799	1,467,799
Retained earnings	79,316,580	72,303,185
Total shareholders' equity	102,480,907	95,459,512
TOTAL	<u>\$251,507,690</u>	<u>\$205,085,654</u>

The accompanying notes are an integral part of the financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, JANUARY 31, 1976

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of Consolidation and Basis of Presentation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned, as follows:

Store Companies:

British Columbia

Woodward Stores (Vancouver) Limited
Woodward Stores (Port Alberni) Limited
Woodward Stores (Park Royal) Limited
Woodward Stores (Mayfair) Limited
Woodward Stores (Westminster) Limited
Woodward Stores (Oakridge) Limited
Woodward Stores (Kamloops) Limited

Woodward Stores (Guildford) Limited
Woodward Stores (Prince George) Limited
Woodward Stores (Arbutus) Limited
Woodward Stores (Sevenoaks) Limited
Woodward Stores (Penticton) Limited
Woodward's Furniture Fair Limited

Alberta

Woodward Stores (Edmonton) Limited
Woodward Stores (Westmount) Limited
Woodward Stores (Chinook) Limited
Woodward Stores (Northgate) Limited

Woodward Stores (Southgate) Limited
Woodward Stores (Market Mall) Limited
Woodward Stores (Lethbridge) Limited
Woodward's Furniture Fair (Edmonton) Limited

Other Companies:

Woodward Acceptance Company Limited
Provincial Construction Company Limited
Woodward Holdings Limited
Locarno Investments Limited
Britalta Wholesale Drugs Limited
Britalwood Investments Limited

Thirty-one Purchasing Service Limited
Lansdowne Holdings Limited
Pinewood Holdings Limited
Del-Pak Foods, Limited
Woodward Stores (London) Limited
Lethbridge Centre Limited

The Company also owns 60% of the issued shares of Southgate Shopping Centre Limited, with the balance of the shares being held by Hudson's Bay Company. Under the terms of a joint venture agreement between the Company and Hudson's Bay Company all major decisions require joint approval. Accordingly, the Company does not have effective control over this subsidiary and therefore its accounts have not been consolidated. In addition the Company has a partial ownership interest in each of Project 200 Properties Limited, Project 200 Investments Limited and The Edmonton Centre Limited. Southgate Shopping Centre Limited and the partially owned companies are accounted for on the equity method of accounting, as corporate joint ventures. On this basis the Company's share of earnings and losses of these companies, based on their last completed fiscal year, is brought into income and the Company's investment therein adjusted by a like amount. Dividends received from these companies are credited to the investment account (1976—\$300,000; 1975—\$240,000). The Company's equity in, and advances to these companies are as follows:

	Equity Interest	Fiscal year end	January 31	
			1976	1975
Southgate Shopping Centre Limited	60%	January 31	\$ 61,847	\$ 30,224
Project 200 Properties Limited	25%	December 31	333,319	325,785
Project 200 Investments Limited	23%	December 31	742,717	753,403
The Edmonton Centre Limited	30%	March 31	30,000	30,000
			<u>\$1,167,883</u>	<u>\$1,139,412</u>

(b) Accounts Receivable:

In accordance with recognized industry practice, accounts receivable include certain instalment accounts of which a portion will not become due within one year.

(c) Merchandise Inventories:

The basis of valuation of merchandise, at the lower of cost and net realizable value, is determined principally by use of the retail method of accounting, generally used within the industry.

(d) Properties, Fixtures and Equipment:

It is the practice of the companies to capitalize carrying costs (interest and property taxes) on land and buildings during

the development and construction of shopping centres. Such carrying costs capitalized during the years ended January 31, 1976 and 1975 were \$1,707,469 and \$634,261 respectively.

The companies provide depreciation principally on the straight line basis at rates sufficient to write off the cost of the various classes of properties, fixtures and equipment over their estimated useful lives. These annual rates, for the major asset classes are 2½% of cost on buildings, 3% of cost on parking improvements and 10% of cost on fixtures and equipment.

(e) Debt Expense:

Expenses related to the issuance of long term debt are amortized on a straight line basis over the term of the issue to which they relate after adjusting for conversions, redemptions and purchases where applicable and the amount amortized is included in interest on long term debt expense in the consolidated statement of earnings.

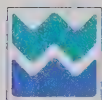
(f) Store Pre-opening Expenses:

Such expenses, which are included in prepaid expenses, are amortized over a twelve month period commencing with the month of opening.

2. LONG TERM DEBT:

January 31

	Maturity	1976	1975
Woodward Stores Limited:			
4½% First Mortgage Sinking Fund Bonds Series B, paid April 1, 1975	—	\$ —	\$ 640,000
5% Sinking Fund Debentures 1957 Series	Jan. 15, 1977	35,000	37,000
5% Sinking Fund Debentures 1958 Series with annual sinking fund requirements on May 15 of \$200,000	May 15, 1978	1,451,000	1,660,000
5¾% Sinking Fund Debentures 1965 Series with annual sinking fund requirements on June 15 of \$400,000 to 1977 and \$500,000 thereafter	June 15, 1985	6,365,000	6,478,000
6¾% Convertible Sinking Fund Debentures 1969 Series with annual sinking fund requirements of sums sufficient to retire on September 1, in each of the years 1980 to 1988 inclusive, 5% of the principal amount outstanding on September 1, 1979	Sept. 1, 1989	9,118,000	9,126,000
8¾% Sinking Fund Debentures 1973 Series with annual sinking fund requirements on July 15 of \$500,000 in each of the years 1977 to 1980 inclusive, \$600,000 in each of the years 1981 to 1984 inclusive, \$700,000 in each of the years 1985 to 1988 inclusive, and \$800,000 in each of the years 1989 to 1992 inclusive	July 15, 1993	15,000,000	15,000,000
11¼% Sinking Fund Debentures 1974 Series with annual sinking fund requirements on October 15 of \$800,000 in each of the years 1978 to 1984 inclusive, and \$1,000,000 in each of the years 1985 to 1993 inclusive	Oct. 15, 1994	20,000,000	20,000,000
Woodward Acceptance Company Limited:			
6½% Debentures Series A	Dec. 15, 1977	5,000,000	5,000,000
Lethbridge Centre Limited:			
9¼% First mortgage bond payable in semi-annual instalments of \$622,285 including interest with a balance of \$2,142,200 due at maturity	Jan. 1, 2006	12,154,000	—
Woodward Stores (Westmount) Limited:			
5½% First Mortgage, paid December 1, 1975	—	—	1,415,402
Lansdowne Holdings Limited:			
First Mortgage, paid July 30, 1975	—	—	1,414,666
		69,123,000	60,771,068
		147,000	3,530,068
Less current portion shown in current liabilities		\$68,976,000	\$57,241,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — Continued

All Debentures of the Company rank equally and are secured equally and rateably, except for sinking funds pertaining to the respective issues, by floating charges upon the undertakings and all property and assets, present and future, of the Company and certain designated subsidiaries in the provinces of British Columbia and Alberta. The 6¾% Convertible Debentures are convertible at the holder's option at any time up to September 1, 1979 into 50 Class A shares per \$1,000 principal amount of debentures.

The Trust Indentures, pursuant to which the Debentures of the Company have been issued, contain restrictive covenants concerning the payment of dividends. At January 31, 1976, the consolidated net current assets were approximately \$48,000,000 in excess of the requirement under the most restrictive of such covenants, and the consolidated retained earnings free of restrictions were approximately \$24,000,000.

The 9¾% First Mortgage Bond of Lethbridge Centre Limited is secured by a charge on the Lethbridge Centre and by an assignment of certain leases and other agreements related to the operation of the centre. Upon achievement of projected rental levels the advances under the Bond will increase to a maximum of \$12,750,000 at which time the semi-annual instalments will be \$652,660.

Maturities and sinking fund requirements during the next five fiscal years (net of \$584,000 of debentures purchased in advance of such requirements) are as follows:

1977—\$147,000; 1978—\$6,132,400; 1979—\$3,074,100; 1980—\$1,881,500; 1981—\$2,345,500.

3. SHAREHOLDERS' EQUITY:

(a) Share Capital:

455,900 Class A shares are reserved to meet in full the conversion rights of the holders of the 6¾% Convertible Sinking Fund Debentures 1969 Series. 400 Class A shares were issued on such conversions during the year.

Each Class B share may be exchanged, at the holder's option, for a Class A share and accordingly 1,762,500 Class A shares are reserved for this purpose. 2,000 Class B shares were exchanged during the year.

(b) Dividends:

	1976	1975
Cash dividends—Class A shares	\$3,480,402	\$3,477,835
—Class B shares (including taxes related thereto of \$193,129 1975—\$193,294)	1,287,525	1,288,625
	<u>\$4,767,927</u>	<u>\$4,766,460</u>

4. STATUTORY INFORMATION:

The aggregate direct remuneration paid or payable by the Company and its subsidiaries to the directors and senior officers of the Company during the year amounted to \$912,979 (1975—\$798,297).

5. CONTINGENT LIABILITIES AND COMMITMENTS:

- The aggregate minimum annual rentals (exclusive of property taxes and other expenses payable directly by the companies) under long term leases for premises in shopping centres, a warehouse and furniture retail outlets are approximately \$5,900,000. Most leases contain a percent-of-sales clause. Taking into account renewal clauses contained in every lease, the earliest expiry date is the year 2000, with the exception of 63,000 square feet of space in the downtown Vancouver store where the lease expires in 1987. The aggregate amount of rentals under long term leases charged against earnings during the year ended January 31, 1976 was approximately \$7,500,000.
- The estimated unfunded liability with respect to the employees' non contributory pension plan is \$5,400,000 which will be amortized against income over the fiscal years 1977 to 1989. The total pension expense charged against income in respect of the employees' non contributory pension plan for the year amounted to \$2,450,000 (1975—\$2,244,000).
- The Company has jointly and severally agreed under a Deficiency Agreement to make available sufficient funds to pay the principal, interest and redemption premium, if any, on the First Mortgage Bonds of Southgate Shopping Centre Limited, which were issued in the amount of \$13,500,000.

- (d) The Edmonton Centre Limited, a partially owned company, has issued \$20,000,000 8%% Series A, \$15,000,000 8%% Series B and \$17,500,000 9¼% Series C First Mortgage Sinking Fund Bonds to finance its development and construction costs, which for Stages One and Two are estimated to aggregate \$63,000,000. Under an Indemnity Agreement the Company has a contingent liability to the extent of 30% with respect to this indebtedness, any additional series of bonds which may be issued, and any subordinated debt which may be required to complete construction of Stages One and Two.
- (e) A subsidiary of the Company has commenced construction of the Lansdowne Shopping Centre. This project which is planned to open in the fall of 1977 is estimated to cost, including land, approximately \$37,300,000, of which approximately \$9,000,000 is included in land, buildings and improvements at January 31, 1976. Subsequent to January 31, 1976 the subsidiary has arranged interim financing of \$36,000,000 bearing interest at prime bank rate plus 1% during construction and prime bank rate plus 1½% following the earlier of the completion date or December 31, 1977. Of the total loan the first \$32,000,000 advanced will be repayable by December 31, 1980 and the remaining \$4,000,000 advanced will be payable on demand. This loan is to be secured principally by a first mortgage bond and assignment of specific leases. It is anticipated that this debt will be repaid from the proceeds of long term financing, preliminary negotiations for which are in progress. The Company has granted the lessee of a second department store to be located in the shopping centre an option to purchase a 20% equity interest in the subsidiary, subject to certain conditions and at a specified price.
- (f) The Company, jointly with the other corporate shareholders of Project 200 Investments Limited, has entered into an agreement, in connection with a bank loan agreement undertaken by Project 200 Investments Limited. The shareholders have jointly and severally agreed, while this bank loan is outstanding, to a postponement of claim on their advances and that they will not, without the prior written consent of the bank, reduce their holdings and interest in Project 200 Investments Limited except by transfer to existing corporate shareholders or their affiliates.

6. EARNINGS PER SHARE:

Earnings per share are calculated on the weighted average number of shares outstanding during the year. Fully diluted earnings per share are calculated on the weighted average number of shares that would have been outstanding during the year had all of the 6¾% Convertible Debentures 1969 Series been converted into Class A shares at the beginning of each year. In making this calculation the earnings applicable to Class A and B shares have been increased by the amount of the interest on the convertible debentures, net of applicable income taxes.

7. GOVERNMENT OF CANADA ANTI-INFLATION LEGISLATION:

The Company is required to comply with the provisions of the Anti-Inflation Act which became effective on October 14, 1975. The Act and its guidelines provide for the restraint of prices and profits and compensation of employees to December 31, 1978 and of the payment of dividends to October 13, 1976.

Based on compliance tests made with respect to profits for the year ended January 31, 1976 and on actions taken with respect to compensation of employees, management is of the opinion that the Company has complied with the Act and its guidelines and that no liabilities with respect to this legislation exist at January 31, 1976.

During the twelve month period ending October 13, 1976, the Company may not declare dividends in excess of \$.73 per share.



Woodward Stores Limited and subsidiary companies

COMPARATIVE RECORD — Years ended January 31

	1976	1975	1974
<i>Sales Including Service Charges</i>	\$596,058,036	\$504,491,394	\$427,981,693
<i>Rental Revenue and Other Income</i>	4,610,957	3,690,544	3,475,086
<i>Selling, General and Administrative Expenses</i>	120,408,625	102,289,899	84,141,922
<i>Provision for Depreciation Charged to Operations</i>	5,215,345	4,511,892	3,917,706
<i>Interest on Long Term Debt</i>	5,171,384	4,153,786	2,838,741
<i>Profit Sharing and Retirement Funds</i>	5,545,359	5,083,836	4,701,465
<i>Provision for Income Taxes</i>	11,414,000	10,960,000	10,443,300
<i>Earnings (*Excluding Extraordinary Items of Income)</i>	11,781,322	10,246,128	10,362,776
<i>Earnings per Share Excluding Extraordinary Items</i>	\$ 1.80	\$ 1.57	\$ 1.59
<i>Dividends per Class A Share</i>	.73	.73	.70
<i>Working Capital (Current Assets less Current Liabilities)</i>	\$ 68,474,622	\$ 69,886,699	\$ 71,682,180
<i>Ratio of Current Assets to Current Liabilities</i>	1.87	2.38	2.83
<i>Properties, Fixtures and Equipment less Depreciation Provided</i>	\$102,326,245	\$ 82,525,737	\$ 64,313,679
<i>Total Assets</i>	251,507,690	205,085,654	176,759,643
<i>Long Term Debt</i>	68,976,000	57,241,000	46,204,224
<i>Shareholders' Equity</i>	\$102,480,907	\$ 95,459,512	\$ 89,929,844
<i>Preference Shares Outstanding</i>	—	—	—
<i>Equity of Voting Shares</i>	102,480,907	95,459,512	89,929,844
<i>Equity of Each No Par Value Share</i>	15.69	14.62	13.77
<i>Return on Average Shareholders' Equity</i>	% 11.90	% 11.05	% 11.91

1973	1972	1971	1970	1969	1968	1967
\$375,755,598	\$332,068,456	\$290,492,320	\$281,221,930	\$257,703,431	\$233,704,646	\$204,963,060
3,023,938	2,240,398	1,996,346	1,885,439	1,578,180	1,505,304	1,382,793
73,396,620	64,090,751	56,406,338	53,368,239	48,439,704	43,853,009	38,471,346
3,669,623	3,213,349	2,954,025	2,664,417	2,953,497	2,682,705	2,321,583
2,234,428	1,747,580	1,739,962	1,394,497	1,183,004	1,250,282	1,325,250
4,297,033	4,093,153	3,200,106	3,422,544	2,904,771	1,854,003	1,203,564
8,925,400	8,444,850	7,603,350	7,741,300	7,108,072	6,026,385	5,365,875
*10,061,672	*9,129,866	7,330,536	*7,439,446	*6,762,369	6,027,111	5,440,792
\$ 1.54	\$ 1.41	\$ 1.13	\$ 1.15	\$ 1.04	\$.93	\$.84
.65	.58	.55	.52	.46	.40½	.37½
\$ 60,170,033	\$ 56,330,962	\$ 49,445,881	\$ 51,552,135	\$ 41,883,098	\$ 37,586,995	\$ 33,885,127
2.87	3.16	3.14	3.46	2.66	2.51	2.41
\$ 55,087,569	\$ 57,021,267	\$ 45,363,338	\$ 44,035,937	\$ 44,723,119	\$ 45,093,704	\$ 45,978,259
149,033,519	141,559,921	127,005,712	121,567,031	113,778,015	108,540,681	105,676,538
31,587,530	34,141,143	27,921,000	28,771,000	19,921,000	21,474,000	22,797,000
\$ 84,060,086	\$ 78,837,366	\$ 73,633,360	\$ 69,855,149	\$ 65,668,829	\$ 60,429,170	\$ 57,065,881
—	—	1,630,560	1,494,385	1,320,450	1,191,180	1,107,180
84,060,086	78,837,366	72,002,800	68,360,764	64,348,379	59,237,990	55,958,701
12.88	12.15	11.10	10.54	9.92	9.13	8.63
% 12.35	% 11.98	% 10.22	% 10.98	% 10.73	% 10.26	% 9.80

Serving Western Canada in twenty-one locations

1892—Downtown Store, Vancouver, B.C.; 1948—Port Alberni Store, Vancouver Island, B.C.; 1950—Park Royal Centre, West Vancouver, B.C.; 1954—Westminster Store, New Westminster, B.C.; 1955—Westmount Centre, Edmonton, Alta.; 1959—Oakridge Centre, Vancouver, B.C.; 1960—Chinook-Ridge Centre, Calgary, Alta.; 1963—Mayfair Centre, Victoria, B.C.; 1964—Kamloops Store, Kamloops, B.C.; 1965—Northgate Centre, Edmonton, Alta.; 1966—Guildford Centre, Surrey, B.C.; 1966—Parkwood Centre, Prince George, B.C.; 1970—Southgate Centre, Edmonton, Alta.; 1971—Market Mall Centre, Calgary, Alta.; 1973—Furniture Fair, Burnaby, B.C.; 1974—Edmonton Centre, Edmonton, Alta.; 1974—Arbutus Village, Vancouver, B.C.; 1975—Furniture Fair, Edmonton, Alta.; 1975—Lethbridge Centre, Lethbridge, Alta.; 1975—Sevenoaks Centre, Clearbrook, B.C.; 1975—Cherry Lane Centre, Penticton, B.C.



Woodward's opened six new projects in 1975 which are summarized as follows

DESCRIPTION AND LOCATION	APPROX. AREA (Square Feet)	OPENING DATE
Furniture Fair, Edmonton, Alberta (leased).....	148,000	March 19, 1975
Mayfair Bargain Store, Victoria, B.C. (leased).....	17,000	July 30, 1975
Lethbridge Centre, Lethbridge, Alberta (owned)		
Department Store, Food Store and Auto Centre	184,000	August 27, 1975
Commercial Retail Units	62,000	
Office Tower	87,000	
Theatre	10,000	
Warehouse and Distribution Centre, Richmond, B.C. (owned)		
First Phase for Food Division	174,000	September 15, 1975
Cherry Lane, Penticton, B.C. (leased)		
Department Store, Food Store and Auto Centre	129,000	October 1, 1975
Sevenoaks, Clearbrook, B.C. (leased)		
Department Store, Food Store and Auto Centre	182,000	October 15, 1975